

IRS ISSUES SUMMER 2000 STATISTICS OF INCOME BULLETIN

WASHINGTON -- The Internal Revenue Service today announced the release of the Summer 2000 issue of the *Statistics of Income Bulletin*. It details statistical information on corporations, sole proprietorships, estates and the Empowerment Zone tax incentive.

The *Bulletin* revealed the first statistics based on the 4.7 million corporation income tax returns for 1997, including the 2.4 million S corporations electing to be taxed through their shareholders. Pre-tax profits reported by all corporations for 1997 increased 13.5 percent over 1996 to \$915.4 billion. The strong performance of regulated investment companies accounted for the majority of this increase. Altogether, there were 2.6 million returns that showed a positive amount for net income, while 2.0 million showed a negative amount, that is, a net loss. Positive net income grew by 13 percent to \$1.1 trillion, while negative net income increased 12 percent to \$0.2 trillion.

Profits reported by foreign-controlled domestic corporations (FCDCs) increased to \$52.4 billion for 1997, nearly 25 percent more than the \$41.9 billion recorded for 1996, while the U.S. income tax they reported increased from \$15.4 billion to \$19.7 billion. By country of foreign owner, Japanese-owned companies predominated, accounting for 26 percent of the sales and other income of all FCDCs, followed by the United Kingdom with 14 percent; the Netherlands with 11 percent; Germany with 10 percent; and Canada with 9 percent.

Another report within the *Bulletin* reveals that the foreign tax credit claimed by corporations for 1996 increased to \$40.3 billion, as taxable income from foreign sources and the foreign taxes paid on this income continued to grow. The United Kingdom, Canada, and Japan, in that order, continued to generate most of the foreign-source income and tax. However, there has been a trend in recent years for a growing proportion of the credit to be claimed by corporations classified in the banking and service industries. This means that U.S. corporations with foreign tax credits can no longer be characterized mainly as manufacturers engaged in foreign oil and gas extraction, or in the foreign production of goods.

The first analysis of the "empowerment zone" employment (EZE) tax credit as an aid in revitalizing low-income areas of the nation debuted in the *Bulletin*. Of the 1,254 taxpayers claiming the credit for 1996, there were 214 that were

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taxable corporations and 1,040 that were individuals who were owners of a sole proprietorship, partners in a partnership, or shareholders in an S corporation. In total, \$15.1 million in EZE credits were claimed, \$9.6 million by individuals and \$5.5 million by corporations. A future analysis, for 1997, may shed more light on whether the low incidence of credit usage for 1996 reflected an early point on the learning curve for a recent provision of the tax code, or a more fundamental problem with the EZE concept.

Sole proprietorship businesses reported record profits of \$202.3 billion for 1998. This was 8.4 percent more than for 1997. The increase was widespread by industrial division, with businesses classified in the finance, insurance, and real estate division leading the way with 25 percent of the increase over 1997. However, the services industrial division remained the largest, accounting for 34 percent of total sales and 55 percent of total profits.

A final article deals with the 381 Federal estate tax returns filed in 1997 for nonresident alien decedents and the 346 filed in 1998. The U.S. gross estate reported on the 1997 filings totaled \$142 million, dropping to \$110 million on the 1998 filings. In contrast, the worldwide gross estate for these decedents was \$485 million and \$334 million, respectively. The estate tax recorded on nonresident alien decedent returns totaled \$21 million in 1997 and \$16 million in 1998.

The *Bulletin* also includes historical data on income, deductions, and tax reported on returns filed by individuals, corporations, and unincorporated businesses, with selected data presented for estates. In addition, it presents statistics on tax collections, including excise taxes by type, and tax refunds for recent years. It also provides projections of tax returns to be filed.

The *Statistics of Income Bulletin* is available from the Superintendent of Documents, U.S. Government Printing Office, P.O. Box 37954, Pittsburgh, PA 15250-7954. The annual subscription rate is \$35 (\$43.75 foreign), single issues cost \$22 (\$27.50 foreign). The *Bulletin's* individual articles – but not the historical data tables – are also available through the Tax Stats section of the IRS web site at www.irs.gov/tax_stats.

For more information about the data, write the Director, Statistics of Income (SOI) Division, OP:RS:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608, or telephone the SOI statistical information services office at (202) 874-0410, or by fax (202) 874-0964.